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23 *Special Counsel to Richard A. Marshack,
24 Trustee of the LPG Liquidation Trust*

25 **UNITED STATES BANKRUPTCY COURT**

26 **CENTRAL DISTRICT OF CALIFORNIA - SANTA ANA DIVISION**

27 In re: _____ Case No. 8:23-bk-10571-SC
28 The Litigation Practice Group P.C., Chapter 11
29 Debtor. Adv. Proc. No. _____
30 _____ **COMPLAINT FOR:**
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1 Richard A. Marshack,
2 Trustee of the LPG Liquidation Trust,

3 Plaintiff,

4 v.

5 The Debt Relief Group LLC, A Florida
6 Limited Liability Company,

7 Defendant

8
**(1) AVOIDANCE, RECOVERY, AND
9 PRESERVATION OF 2-YEAR ACTUAL
10 FRAUDULENT TRANSFERS;**

11
**(2) AVOIDANCE, RECOVERY, AND
12 PRESERVATION OF 2-YEAR
13 CONSTRUCTIVE FRAUDULENT
14 TRANSFERS;**

15
**(3) AVOIDANCE, RECOVERY, AND
16 PRESERVATION OF 4-YEAR ACTUAL
17 FRAUDULENT TRANSFERS;**

18
**(4) AVOIDANCE, RECOVERY, AND
19 PRESERVATION OF 4-YEAR
20 CONSTRUCTIVE FRAUDULENT
21 TRANSFERS;**

22
**(5) AVOIDANCE, RECOVERY AND
23 PRESERVATION OF PREFERENTIAL
24 TRANSFER MADE WITHIN NINETY
25 DAYS OF THE PETITION DATE;**

26
(6) TURNOVER; and,

27
(7) DISALLOWANCE OF CLAIMS.

28
Judge: Hon. Scott C. Clarkson

18
19 For his *Complaint for (1) Avoidance, Recovery, and Preservation of 2-Year Actual*
20 *Fraudulent Transfers; (2) Avoidance, Recovery, and Preservation of 2-Year Constructive*
21 *Fraudulent Transfers; (3) Avoidance, Recovery, and Preservation of 4-Year Actual Fraudulent*
22 *Transfers; (4) Avoidance, Recovery, and Preservation of 4-Year Constructive Fraudulent Transfers;*
23 *(5) Avoidance, Recovery, and Preservation of Preferential Transfer; (6) Turnover and, (7)*
24 *Disallowance of Claims* (“Complaint”), plaintiff Richard A. Marshack, the former Chapter 11
25 Trustee for the bankruptcy estate (“Estate”) of debtor The Litigation Practice Group P.C. (“Debtor”)
26 or (“LPG”) and current Liquidating Trustee of the LPG Liquidation Trust (collectively, “Trustee” or
27 “Plaintiff”) in the above-captioned bankruptcy case (“Bankruptcy Case”), alleges and avers as
28 follows:

1 **STATEMENT OF JURISDICTION, NATURE OF PROCEEDING, AND VENUE**

2 1. This Court has jurisdiction over this action pursuant to 28 U.S.C. §§ 157(b)(2)(A),
3 (E), (H) and (O), 1334(b), and General Order No. 13-05 of the District Court for the Central
4 District of California because this is a core proceeding arising in and/or related to the Bankruptcy
5 Case, which is a case under Chapter 11 of Title 11 of the United States Code (“Bankruptcy Code”),
6 and which is pending in the United States Bankruptcy Court for the Central District of California,
7 Santa Ana Division (“Bankruptcy Court”).

8 2. Regardless of whether this proceeding is core, non-core, or otherwise, Plaintiff
9 consents to the entry of a final order and judgment by the Bankruptcy Court.

10 3. Defendant is notified that Rule 7008 of the Federal Rules of Bankruptcy Procedure
11 requires Defendant to plead whether consent is given to the entry of a final order and judgment by
12 the Bankruptcy Court.

13 4. Venue of this adversary proceeding properly lies in this judicial district pursuant to
14 28 U.S.C. § 1409(a) because this proceeding is related to Debtor’s pending Bankruptcy Case.

15 **THE PARTIES**

16 5. Plaintiff, Richard A. Marshack, is the duly-appointed, qualified, and former Chapter
17 11 Trustee of Debtor’s Estate, and is now the current duly-appointed, qualified, and acting
18 Liquidating Trustee of the LPG Liquidation Trust.

19 6. Debtor is, and at all material times was, a professional corporation organized,
20 existing, and in good standing under the laws of the State of California, with its principal place of
21 business in Tustin, California.

22 7. Defendant, Debt Relief Group LLC (“Defendant” or “Debt Relief”), is, and at all
23 material times represented that it was, a limited liability company, existing under the laws of the
24 State of Florida.

25 8. Defendant may be served via first class mail, postage prepaid, upon an officer,
26 managing or general agent, at Robert Kramer at 4000 Hollywood Boulevard, Suite 485-South, West
27 Palm Beach, FL 33409 or any other agent authorized by appointment at 1800 Old Okeechobee Road,
28 Suite 200, West Palm Beach, FL 33409.

GENERAL ALLEGATIONS

A. The Bankruptcy Case

3 9. On March 20, 2023 (the “Petition Date”), LPG filed a voluntary petition for relief
4 under Chapter 11 of the Bankruptcy Code, commencing the Bankruptcy Case. Diab made the
5 decision for LPG to file for bankruptcy in order to avoid a plethora of pending lawsuits, two of
6 which sought an order appointing a receiver, including but not limited to: *Validation Partners, LLC*
7 *v. The Litigation Practice Group, PC, et al.*, Case No. 30-2022-01281911-CU-BC-CXC (Orange
8 County Super Ct. September 20, 2022) and *Debt Validation Fund II, LLC, et al. v. The Litigation*
9 *Practice Group PC, et al.*, Case No. 30-2023-01303355-CU-CO-CXC (Orange County Super. Ct.
10 January 23, 2023), among many others. In order to abscond with and delay discovery of substantial
11 assets and continue to profit from LPG client files and client payment obligations pursuant to LPG’s
12 client Legal Services Agreements (“ACH Receivables”) prior to filing bankruptcy, Diab and other
13 defendants devised a plan to fraudulently transfer funds, assets, client files, and ACH Receivables
14 out of LPG to third parties.

15 10. After the Office of the United States Trustee (the “UST”) filed the *Motion by United*
16 *States Trustee to Dismiss or Convert Case Pursuant to 11 U.S.C. § 1112(b)* [Bankr. Docket No. 21]
17 and creditors Debt Validation Fund II, LLC; MC DVI Fund 1, LLC; and MC DVI Fund 2, LLC
18 filed the *Motion by DVF and MC DVI to Dismiss Chapter 11 Case Pursuant to 11 U.S.C. §§ 105,*
19 *305, 349, & 1112, or in the Alternative Convert This Case to Chapter 7 or Appoint a Trustee* [Bankr.
20 Docket No. 44], the Court entered the *Order Directing United States Trustee to Appoint Chapter 11*
21 *Trustee* [Bankr. Docket No. 58] on May 4, 2021, thereby granting the UST’s motion and directing
22 the UST to appoint a Chapter 11 Trustee in the Bankruptcy Case.

23 11. Pursuant to the *Acceptance of Appointment as Chapter 11 Trustee* [Bankr. Docket
24 No. 63; the *Order Approving Appointment* is 1046 Action Docket No. 65], on May 8, 2023, Plaintiff
25 accepted his appointment as the Chapter 11 Trustee in the Bankruptcy Case. The Court approved
26 the Trustee's appointment in its *Order Approving the U.S. Trustee's Application for the Appointment*
27 *of a Chapter 11 Trustee*, though he no longer serves in that capacity. [Bankr. Docket No. 65].
28 Plaintiff Trustee was not appointed until after the events giving rise to this action and, therefore,

1 bases these allegations on information and belief. *Soo Park v. Thompson*, 851 F.3d 910, 928 (9th
2 Cir. 2017) ("The *Twombly* plausibility standard . . . does not prevent a plaintiff from pleading facts
3 alleged upon information and belief where the facts are peculiarly within the possession and control
4 of the defendant or where the belief is based on factual information that makes the inference of
5 culpability plausible."); *Miller v. City of Los Angeles*, 2014 U.S. Dist. LEXIS 198871, 2014 WL
6 12610195, at *5 (C.D. Cal. Aug. 7, 2014) (recognizing that the plaintiff's "information and belief"
7 pleading was allowed and "necessary at times"); *see also Mireskandari v. Daily Mail and General*
8 *Trust PLC*, 2013 U.S. Dist. LEXIS 194437, 2013 WL 12129642, at *4 (C.D. Cal. July 31,
9 2013) ("The Federal Rules of Civil Procedure allow parties to plead facts on 'information and belief'
10 if the facts 'will likely have evidentiary support after a reasonable opportunity for further
11 investigation or discovery.'") (citations omitted.)

12. Pursuant to the *Order Confirming Modified First Amended Joint Chapter 11 Plan of*
13 *Liquidation* entered September 9, 2024, and the *Notice of Occurrence of Effective Date of Modified*
14 *First Amended Joint Chapter 11 Plan of Liquidation* filed September 24, 2024, Richard A. Marshack
15 also became the Liquidating Trustee of the LPG Liquidation Trust, effective September 24, 2024,
16 and he continues to serve in this capacity at this time. [Bankr. Docket Nos. 1646 & 1762.]

17. All claims have been transferred to the LPG Liquidation Trust pursuant to the
18 confirmed plan and Plaintiff brings this action solely in his capacity as the former Chapter 11 Trustee
19 and current Liquidating Trustee of the LPG Liquidation Trust for the benefit of Debtor's Estate and
20 its creditors.

21 **B. LPG'S OWNERSHIP AND MANAGEMENT**

22. Prior to the Petition Date, LPG operated a law firm for consumers across the country
23 who sought assistance in contesting or resolving debts. LPG services over 50,000 customers across
24 the United States. At all relevant times, LPG was controlled and operated by an individual named
25 Tony Diab ("Diab").

26. Despite having been disbarred in California and Nevada, Diab controlled and
27 operated LPG since its inception. However, Diab endeavored to conceal his control over LPG, its
28 finances, marketing, affiliates and operations. For example, Diab purportedly required his LPG

1 employees to call him “Admin,” his email address was “admin@lpqlaw.com” and the name plate
2 on his desk apparently read, “I don’t work here.”

3 **C. LPG**

4 16. LPG operated a law firm for consumers across the country who sought assistance in
5 contesting or resolving debts they would identify.

6 17. The consumers would pay LPG over a period of time via monthly debits from their
7 bank accounts.

8 18. The monthly payments were meant to cover all legal services LPG provided to the
9 consumers including validation of the debts, review of documents to determine enforceability, and
10 court appearances to halt lawsuits to obtain judgments.

11 19. In certain instances, LPG would file a lawsuit in an effort to eliminate a disputed debt
12 or to prosecute affirmative claims held by the consumers.

13 20. LPG mismanaged the consumers’ monthly payments by failing to segregate and hold
14 client payments in trust until fees had been earned by LPG.

15 21. Diab and other defendants devised a plan to fraudulently transfer funds, client files,
16 client funds and assets in the form of ACH Receivables (the “ACH Receivables” or “Accounts
17 Receivable”) out of LPG to third parties prior to the filing of bankruptcy.

18 22. To obtain consumer clients, LPG contracted with marketing companies, who
19 engaged in illegal capping and would advertise or call to solicit consumers to become clients of LPG
20 in exchange for a percentage of the ACH Receivables collected by LPG from the consumers. The
21 marketing affiliates went so far as to assist with the execution of an engagement letter between the
22 consumer and LPG.

23 23. In exchange, LPG agreed to pay the marketing affiliates a percentage of the ACH
24 Receivables collected by LPG from the consumers. LPG would also enter into purchase agreements,
25 at a discount, with various marketing affiliates in an attempt to regain control over the receivable
26 that marketing companies had an interest in.

27 24. Because LPG received payments from consumers over time, it often sought financing
28 against its future ACH Receivables. This borrowing was used to finance operations at LPG, to pay

1 the fees owed to the marketing companies for providing the client referrals, and to pay creditors
2 which had provided earlier-in-time financing in a growing Ponzi scheme, among other improper
3 purposes.

4 25. Many of the documents executed in connection with such financing described the
5 transactions as account receivable purchase agreements.

6 **D. Defendant**

7 26. Defendant was one of the marketing companies that procured clients for LPG.

8 27. LPG agreed to pay, and in fact paid, Defendant a portion of the monthly payments
9 received from consumers referred by Defendant.

10 28. Defendant also entered into agreements pursuant to which it purported to purchase
11 accounts receivable from LPG. Pursuant to these agreements, Debtor purported to sell to Defendant
12 a portion of its income stream.

13 **i. Affiliate Agreement**

14 29. On or about September 30, 2022, Debtor entered into an affiliate agreement with
15 Defendant (“Affiliate Agreement”). A true and accurate copy of the Affiliate Agreement is attached
16 as Exhibit 1 and incorporated here.

17 30. The Affiliate Agreement states that Defendant “owns and operates a system of
18 generating leads consisting of consumers interested in the legal services offered by LPG.” *See Ex.*
19 1.

20 31. Pursuant to the Affiliate Agreement, Defendant generated leads consisting of
21 consumers interested in the legal services offered by LPG and referred those consumers to Debtor.
22 *See Ex. 1*.

23 32. Defendant went so far as to assist with the execution of an engagement letter with
24 the consumer. *See Ex. 1*.

25 33. Pursuant to the Affiliate Agreement, Debtor agreed to pay Defendant as follows:

26
27 LPG shall pay 65% per file for each file that Affiliate places with LPG, not
28 counting the monthly maintenance fee of \$96.38, which LPG shall retain to
cover administrative costs for each file. LPG shall calculate the amount of

each file, apply the above-identified percentage fee, and remit the same to Affiliate pursuant to an agreed-upon schedule not to exceed one remittance per seven (7) calendar days. If any consumer cancels LPG's services, or demands a refund for payment for such services, or both, then LPG shall be solely responsible [sic] for such cost and Affiliate shall not have to share such expenses.

See Ex. 1.

7 34. The Affiliate Agreement violates Sections 6151 and 6155 of the California Business
8 and Professional Code, which prohibit referrals of potential clients to attorneys unless registered
9 with the State Bar of California. CAL. BUS. & PROF. CODE § 6155. “Referral activity” includes “any
10 entity ‘which, in person, electronically, or otherwise, refers the consumer to an attorney or law firm
11 not identified’ in the advertising.” *Jackson v. LegalMatch.com*, 42 Cal. App. 5th 760, 775 (2019).
12 A referral includes receiving information from potential clients and sending that information to
13 lawyers, even when the advertiser does not advertise the name of the attorneys and the clients do
14 not clear the name of the potential attorney after the referral occurred. *Id.*

15 35. Further, if any effect of an agreement is to accomplish an unlawful purpose, the
16 agreement may be declared illegal regardless of the intention of the parties. *Stockton Morris Plan*
17 *Co. v. Cal. Tractor & Equip. Corp.*, 112 Cal. App. 2d 684, 690 (1952) (citing *Fewel & Dawes, Inc.*
18 *v. Pratt*, 17 Cal. 2d 85, 91 (1941)). This remains true regardless of whether the contract has been
19 performed. *Stevens v. Boyes Hot Springs Co.*, 113 Cal. App. 479, 483 (1931) (A contract by a
20 corporation to purchase its own stock has the effect of illegally withdrawing and paying to a
21 stockholder a part of the capital stock of the corporation and is illegal and void, regardless of the
22 fact that the contract is fully performed by the sellers and partially performed by the corporation.);
23 *Mansfield v. Hyde*, 112 Cal. App. 2d 133, 139 (1952), overruled, *Fomco, Inc. v. Joe Maggio, Inc.*,
24 8 Cal. Rptr. 459 (1960) (Where object of statute requiring licenses is to prevent improper persons
25 from engaging in particular activity, or is for purpose of regulating occupation or business for
26 protection of public, imposition of penalty amounts to prohibition against engaging in occupation
27 or business without license, and contract made by unlicensed person in violation of statute is
28 invalid.); *Firpo v. Murphy*, 72 Cal. App. 249, 252 (1925) (A contract to pay commissions to a real

1 estate broker is illegal and he is not entitled to recover thereon where he fails to secure the license
2 required by law to carry on his business.).

3 36. Because the Affiliate Agreement violates federal and state law, it is void,
4 unenforceable, and subject to avoidance as fraudulent. Any alleged consideration provided to Debtor
5 under the Affiliate Agreement was unlawful.

6 37. Unlawful consideration is that which is: "(1) contrary to an express provision of law;
7 (2) contrary to the policy of express law, though not expressly prohibited; or (3) otherwise contrary
8 to good morals." Cal. Civ. Code § 1667. "If any part of a single consideration for one or more
9 objects, or of several considerations for a single object, is unlawful, the entire contract is void." Cal.
10 Civ. Code § 1608.

11 **ii. Account Receivable Purchase Agreements**

12 38. Upon information and belief and based in part on the historical dealings of the Debtor
13 with marketing affiliates and upon the Transfer Records (as defined below), Defendant likely also
14 entered into one or more account receivable purchase agreements with Debtor and/or its related
15 entities (whether memorialized by oral or written agreement, "ARPA Agreement(s)"). The
16 following are the known agreements.

17 39. On or about November 7, 2022, Defendant entered into an Account Receivable
18 Purchase Agreement with Debtor ("ARPA 1"). A true and accurate copy of the ARPA 1 is attached
19 as Exhibit 2, and incorporated here.

20 40. On or about November 17, 2022, Defendant entered into an Account Receivable
21 Purchase Agreement with Debtor ("ARPA 2"). A true and accurate copy of the ARPA 2 is attached
22 as Exhibit 3, and incorporated here.

23 41. On or about December 2, 2022, Defendant entered into an Account Receivable
24 Purchase Agreement with Debtor ("ARPA 3"). A true and accurate copy of the ARPA 3 is attached
25 as Exhibit 4, and incorporated here.

26 42. On or about December 21, 2022, Defendant entered into an Account Receivable
27 Purchase Agreement with Debtor ("ARPA 4"). A true and accurate copy of the ARPA 4 is attached
28 as Exhibit 5, and incorporated here.

1 43. On or about January 4, 2023, Defendant entered into an Account Receivable
2 Purchase Agreement with Debtor (“ARPA 5”). A true and accurate copy of the ARPA 5 is attached
3 as Exhibit 6, and incorporated here.

4 44. On or about January 20, 2023, Defendant entered into an Account Receivable
5 Purchase Agreement with Debtor (“ARPA 6”). A true and accurate copy of the ARPA 6 is attached
6 as Exhibit 7, and incorporated here.

7 45. On or about February 20, 2023, Defendant entered into an Account Receivable
8 Purchase Agreement with Debtor (“ARPA 7”). A true and accurate copy of the ARPA 7 is attached
9 as Exhibit 8, and incorporated here.

10 46. On or about March 7, 2023, Defendant entered into an Account Receivable Purchase
11 Agreement with Debtor (“ARPA 8”). A true and accurate copy of the ARPA 8 is attached as Exhibit
12 9, and incorporated here.

13 47. On or about March 14, 2023, Defendant entered into an Account Receivable
14 Purchase Agreement with Debtor (“ARPA 9”). A true and accurate copy of the ARPA 9 is attached
15 as Exhibit 10, and incorporated here.

16 48. ARPA 1, ARPA 2, ARPA 3, ARPA 4, ARPA 5, ARPA 6, ARPA 7, APA 1, ARPA
17 8, and ARPA 9, are referred to collectively hereinafter as the “ARPA Agreements.”

18 49. Pursuant to the Debtor’s known ARPA Agreements, the Debtor purports to buy from
19 its marketing affiliates’ accounts receivable from consumers that were supposed to be held in trust
20 until earned.

21 50. By entering into an ARPA Agreements, Debtor and Defendant further violated
22 federal and state laws by selling unearned legal fees or funds that were supposed to be held in trust
23 or used for the benefit of consumers.

24 51. The effect of an ARPA Agreements were to accomplish an unlawful purpose. Thus,
25 the agreements may be declared illegal regardless of the intention of the parties. *Stockton Morris*
26 *Plan Co. v. Cal. Tractor & Equip. Corp.*, 112 Cal. App. 2d 684, 690 (1952) (*citing Fewel & Dawes,*
27 *Inc. v. Pratt*, 17 Cal. 2d 85, 91 (1941)). This remains true regardless of whether the contract has
28 been performed. *Stevens v. Boyes Hot Springs Co.*, 113 Cal. App. 479, 483 (1931) (A contract by a

1 corporation to purchase its own stock has the effect of illegally withdrawing and paying to a
2 stockholder a part of the capital stock of the corporation and is illegal and void, regardless of the
3 fact that the contract is fully performed by the sellers and partially performed by the corporation.);
4 *Mansfield v. Hyde*, 112 Cal. App. 2d 133, 139 (1952), overruled, *Fomco, Inc. v. Joe Maggio, Inc.*,
5 8 Cal. Rptr. 459 (1960) (Where object of statute requiring licenses is to prevent improper persons
6 from engaging in particular activity, or is for purpose of regulating occupation or business for
7 protection of public, imposition of penalty amounts to prohibition against engaging in occupation
8 or business without license, and contract made by unlicensed person in violation of statute is
9 invalid.); *Firpo v. Murphy*, 72 Cal. App. 249, 252 (1925) (A contract to pay commissions to a real
10 estate broker is illegal and he is not entitled to recover thereon where he fails to secure the license
11 required by law to carry on his business.).

12 52. Because any ARPA Agreements and/or related transactions violates federal and
13 state laws, to the extent the Debtor and the Defendant entered into such agreement, it is void,
14 unenforceable, and subject to avoidance as fraudulent. Any alleged consideration provided to Debtor
15 under the ARPA Agreements and/or related transactions is also unlawful.

16 53. Unlawful consideration is that which is: “(1) contrary to an express provision of law;
17 (2) contrary to the policy of express law, though not expressly prohibited; or (3) otherwise contrary
18 to good morals.” Cal. Civ. Code §1667. “If any part of a single consideration for one or more objects,
19 or of several considerations for a single object, is unlawful, the entire contract is void.” Cal. Civ.
20 Code § 1608.

21 **iii. Preference Letter**

22 54. On or about September 15, 2023, Trustee sent a preference letter to Defendant (the
23 “Preference Letter”). A true and accurate copy of the Preference Letter is attached as Exhibit 11,
24 and incorporated here.

25 55. The Preference Letter discussed certain transfers from Debtor that were made to
26 Defendant within the 90-day period prior to the Petition Date. The transfers were listed on the
27 attached “Preference Transfer Schedule” showing the date and amount, according to Debtor’s books
28 and records, of each transfer or other payment (“Preference Transfer Schedule”). Trustee requested

1 payment of the total amount due under the Preference Transfer Schedule that amounted to
2 \$383,148.73, in exchange for a waiver and release from all claims that could be asserted by Trustee
3 against Defendant pursuant to 11 U.S.C. §§ 547 and 550.

4 56. Based on the information available to Trustee and considering the nature of the
5 relationship between Debtor and Defendant, no potential defenses were identified that could reduce
6 Defendant's liability for the preference payments. Consequently, Defendant was requested to
7 provide any facts and valid defenses that could substantiate its position and potentially mitigate or
8 prevent some or all of the transfers made by Debtor.

9 57. On or about September 28, 2023, Defendant's counsel, Johnny White, emailed
10 Plaintiff's counsel regarding, asserting Defendant had not filed a proof of claim, performed their
11 business at an arms-length relationship, and may have a new value defense.

12 58. Trustee has yet to receive any payment from Defendant pursuant to the Preference
13 Letter.

14 **D. Payments to Defendant**

15 59. During the applicable reach-back period, Debtor paid Defendant the sum of at least
16 \$997,037.98 between March 2022 and March 2023 ("Transfers"). A true and accurate list of the
17 known payments made by Debtor to Defendant is attached as **Exhibit 12**, and incorporated here.

18 60. \$383,148.73 of the Transfers from Debtor to Defendant occurred during the 90-day
19 preference period ("Preference Transfers"). A true and accurate list of the payments made during
20 the Preference Transfers is attached as **Exhibit 13**, and incorporated here.

21 **D. LPG's Ponzi Scheme**

22 61. The Ponzi Scheme Presumption exists in bankruptcy proceedings. The Ponzi
23 Scheme Presumption can be utilized to establish a debtor's "intent to defraud future undertakers
24 [investors] from the mere fact that a debtor was running a Ponzi scheme. Indeed, no other reasonable
25 inference is possible. A Ponzi scheme cannot work forever. The investor pool is a limited resource
26 and will eventually run dry. The perpetrator must know that the scheme will eventually collapse as
27 a result of the inability to attract new investors. The perpetrator nevertheless makes payments to
28 present investors, which, by definition, are meant to attract new investors. He must know all along,

1 from the very nature of his activities, that investors at the end of the line will lose their money.
2 Knowledge to a substantial certainty constitutes intent in the eyes of the law, *cf. Restatement*
3 (*Second*) of *Torts* § 84 (1963 & 1964), and a debtor's knowledge that future investors will not be
4 paid is sufficient to establish his actual intent to defraud them. *Cf. Coleman Am. Moving Servs.,*
5 *Inc. v. First Nat'l Bank & Trust Co. (In re American Properties, Inc.)* (Bankr.D.Kan. 1981) 14 B.R.
6 637, 643 (intentionally carrying out a transaction with full knowledge that its effect will be
7 detrimental to creditors is sufficient for actual intent to hinder, delay or defraud within the meaning
8 of § 548(a)(1)).” *Merrill v. Abbott (In re Independent Clearing House Co.)* (D. Utah 1987) 77 B.R.
9 843, 860. A trustee in bankruptcy is not required to show that an operator of a Ponzi scheme was
10 subjectively aware his Ponzi scheme was destined to fail. *In re EPD Inv. Co., LLC*, 114 F.4th at
11 1153 (“[a] trustee's action to recover assets fraudulently conveyed in the course of a Ponzi scheme
12 does not require that the trustee also prove the Ponzi-scheme operator was subjectively aware his
13 Ponzi scheme was destined to fail.”)

14 62. “But if all the debtor receives in return for a transfer is the use of the defendant's
15 money to run a Ponzi scheme, there is nothing in the bankruptcy estate for creditors to share. In fact,
16 by helping the debtor perpetuate his scheme, the transfers exacerbate the harm to creditors by
17 increasing the amount of claims while diminishing the debtor's estate. In such a situation, the use
18 of the defendant's money cannot objectively be called ‘reasonably equivalent value.’” *In re*
19 *Independent Clearing House Co.* 77 B.R. at 859. Therefore, “[t]he trustee can avoid the transfers if
20 they were preferential or fraudulent. Transfers to investors in a Ponzi scheme are preferential and
21 fraudulent. Therefore, they constitute ‘property of the estate,’ and the trustee can recover them.” *Id.*
22 at 853 n.17 (citations omitted).

23 63. Debtor was operating a Ponzi scheme that utilized affiliates and several other
24 entities, including Marich Bein, the GoFi Entities, Prime Logix, and Pacific Staffing, and their
25 owners, operators, directors, principals and/or controllers Deustch, Weisz, Reches, Cohen, and
26 Kohlscreiber, as payment processors and intermediaries to conceal the scheme, and as investors to
27 continue its unlawful business practices by using funds provided by current investors to attract new
28 investors hoping for very high returns. Therefore, the Debtor was running a Ponzi scheme and the

1 Ponzi Scheme Presumption can be utilized to infer that the Debtor had the intent to defraud investors
2 within the meaning of 11 U.S.C. section 548(a)(1). This is evidenced by the Court in this Bankruptcy
3 Case declaring that Debtor was operating a Ponzi scheme when it stated the following:

4 It is important to note that this Court has never received any significant
5 and trustworthy evidence that Debtor accomplished meaningful results
6 for its clients, but only anecdotal examples of viable success for its
7 clients. By reviewing the Estate's claims register, there is evidence of
8 consumer claims for the fraud and demanded but undelivered refunds of
9 approximately \$500 million. There is ample evidence that the pre-petition
10 Debtor never placed the collected funds into an attorney-client trust
11 account, and that Debtor or its principals simply looted the payments
12 received through the client automatic withdrawals, stiffing both the
13 clients and outside attorneys who may have been working on client cases
14 with the hopes of being paid. There is also evidence before the Court that
15 Debtor was running a Ponzi scheme and paying some outside (or
16 "network") attorneys with funds obtained from new clients. In this case,
17 it appears that some of the "lenders" may have been serving as
18 "investors," hoping for very high returns before "the music stopped." The
19 Ninth Circuit has recently explained, "[b]y definition, a Ponzi scheme is
20 destined to fail because the pool of available investors is not limitless.
21 When the Ponzi scheme operator's pool of investors inevitably runs dry,
22 the scheme collapses and the swindler and their entities often end up in
23 bankruptcy or equitable receivership. See generally David R. Hague,
24 Expanding the Ponzi Scheme Presumption, 64 DePaul L. Rev. 867
25 (2015). In bankruptcy, the court-appointed trustee is tasked with taking
immediate control of the entity, ceasing ongoing fraudulent activity,
locating and collecting assets for the bankruptcy or receivership estate,
and achieving a final, equitable distribution of the remaining assets. See
11 U.S.C. § 704." *Kirkland v. Rund (In re EPD Inv. Co., LLC)*, 2024 U.S.
App. LEXIS 21363, at *15 (9th Cir. Aug. 23, 2024). Finally, there is
evidence that Debtor was encumbering (or as some creditors assert,
"double or triple selling") their accounts or receivables to multiple
lenders. With respect to Greyson's requested Administrative Claim [Dk.
676], and as more fully described in the concurrently entered order
denying the claim, there has been no evidence presented that any work
allegedly performed by Greyson assisted any clients or added any value
to the Estate.

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1 **E. LPG's Prepetition Creditors**

2 65. Debtor was insolvent when each Transfer was made. This insolvency is evidenced in
3 part by the fact that 14 separate UCC-1 statements were of record securing debts of the Debtor as
4 of September 1, 2022. These statements remained unreleased as of the Petition Date. These
5 statements either reflected secured liens against the Debtor's assets then owned or thereafter
6 acquired, or provided evidence of the assignment or sale of substantial portions of the Debtor's
7 future income.

8 66. When the Transfers were made, these prior UCC-1 statements secured the repayment
9 of the following claimed amounts that are currently known to Trustee and are allegedly owed by the
10 Debtor: (i) \$2,374,004.82 owed to Fundura Capital Group as evidenced by Proof of Claim No. 335
11 purportedly secured by a UCC statement filed on or about May 19, 2021; (ii) approximately \$15
12 million dollars owed to MNS Funding, LLC as evidenced by Proof of Claim No. 1060 purportedly
13 secured by a UCC statement filed on or about May 28, 2021; (iii) approximately \$5,000,000 owed
14 to Azzure Capital, LLC as evidenced by Proof of Claim No. 127 secured by a UCC statement filed
15 on or about May 28, 2021; and (iv) approximately \$1.5 million dollars owed to Diverse Capital,
16 LLC purportedly secured by UCC statements filed on or about September 15, 2021, and December
17 1, 2021.^[1]

18 67. As alleged above, LPG was borrowing against its assets and future income, often on
19 unfavorable terms, not only to finance operations at LPG, but also to pay the fees owed to the
20 marketing affiliates for providing it with consumer clients. Pursuant to the agreements with the
21 marketing companies, significant percentages of future payments were already promised to be paid
22 to the marketing affiliates from whatever future income the Debtor would receive.

23 68. In addition, on Debtor's Schedule E/F [Bankr. Docket No. 33], Debtor scheduled 11
24 unsecured creditors with priority unsecured claims totaling \$374,060.04. These priority unsecured
25 creditors include Indiana Dept. of Revenue, Dept. of Labor and Industries, Arizona Dept. of
26 Economic Security, Arkansas Dept. of Finance & Admin., California Franchise Tax Board, Georgia

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28 ^[1] Trustee reserves all rights, claims, and defenses with respect to these and any other purported
secured or unsecured claims.

1 Dept. of Labor, Internal Revenue Service, Mississippi Dept. of Revenue, Nevada Dept. of Taxation,
2 Utah State Tax Commission, and Wisconsin Dept. of Revenue (collectively, “Priority Unsecured
3 Creditors”).

4 69. Another group of creditors that Debtor listed on its Schedule E/F [Bankr. Docket No.
5 33] are nonpriority unsecured creditors. Those 58 creditors have scheduled claims totaling
6 \$141,439,158.05 and include Ajilon; Anthem Blue Cross; Azevedo Solutions Groups, Inc.; Carolina
7 Technologies & Consulting Invoice; Collaboration Advisors; Credit Reporting Service Inc.; CT
8 Corporation – Inv.; Debt Pay Pro; Document Fulfillment Services; EnergyCare, LLC; Exela
9 Enterprise Solutions; First Legal Network, LLC; GHA Technologies Inc.; Harrington Electric, Inc.;
10 Imagine Reporting; Juize, Inc.; Krisp Technologies, Inc.; Liberty Mutual; Marc Lemauviel –
11 Allegra; MarkSYS Holdings, LLC; Netsuite-Oracle; Pitney Bowes; Rapid Credit, Inc.; SBS Leasing
12 A Program of De Lage Landen; Security Solutions; Sharp Business Systems; Streamline
13 Performance, Inc.; Thomson Reuters; Twilio, Inc.; Nationwide Appearance Attorneys; Executive
14 Center, LLC; Outsource Accelerator, Ltd.; TaskUs Holdings, Inc.; Marich Bein, LLC; Validation
15 Partners; MC DVI Fund 1, LLC; MC DVI Fund 2, LLC; Debt Validation Fund II, LLC; Tustin
16 Executive Center; LexisNexus; JP Morgan Chase; Business Centers of America; Michael Schwartz;
17 Anibal Colon Jr.; Kathleen Lacey; David Ulery; Kimberly Birdsong; Kevin Carpenter; Karen Suell;
18 Gloria Eaton; Carolyn Beech; Debra Price; Kenneth Topp; Darcey Williamson, Trustee; James
19 Hammett; Johnny Rizo; Beverly Graham; Kathleen Scarlett; and Geneve and Myranda Sheffield
20 (collectively, “Nonpriority Unsecured Creditors” and, together with the Secured Creditors and
21 Priority Unsecured Creditors, “Prepetition Creditors”).

22 70. Debtor’s balance sheets for the 36 months ending in December 31, 2021 show only
23 approximately \$17,900,000 in total assets (primarily comprised of accounts receivable and merchant
24 loans receivable) at its highest point in November 2021. Obviously, this amount is significantly less
25 than the \$700,000,000 of claims filed, further evidencing Debtor’s state of insolvency.

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FIRST CLAIM FOR RELIEF

Count I - Avoidance, Recovery, and Preservation of Actual Fraudulent Transfers

[11 U.S.C. §§ 548(a)(1)(A), 550, and 551]

4 71. Plaintiff realleges and incorporates here by reference each and every allegation
5 contained in paragraphs 1 through 70 as though set forth in full.

6 72. The Affiliate Agreement, ARPA Agreements, and all or a portion of the Transfers
7 occurred within the two years prior to the Petition Date.

8 73. On or after the date that such agreements were executed and the Transfers were
9 made, entities to which Debtor was or became indebted include the Prepetition Creditors.

10 74. The Transfers happened while Debtor was insolvent or rendered Debtor insolvent.

11 75. Despite Debtor's obligation to the Prepetition Creditors, Debtor continued to pay
12 Defendant sums received from consumers under the Affiliate Agreement, which constitutes an
13 illegal capping agreement between Defendant and Debtor. Any obligation of the Debtor arising
14 from such agreement is also avoidable as fraudulent.

15 76. Despite Debtor's obligation to the Prepetition Creditors, Debtor continued to sell or
16 transfer portions of its accounts receivable to Defendant, which is illegal under federal and state
17 laws.

18 77. The Transfers were made with actual intent to hinder, delay, or defraud creditors of
19 Debtor.

20 78. The Affiliate Agreement, ARPA Agreements, and the Transfers of Debtor's funds
21 are avoidable as fraudulent pursuant to 11 U.S.C. §§ 548(a)(1)(A), 550, and 551 by one or more
22 creditors who held and hold unsecured claims against Debtor that were and are allowable against
23 his Estate under 11 U.S.C. § 502 or that were not and are not allowable only under 11 U.S.C. §
24 502(e), including, without limitation, the Prepetition Creditors.

25 79. The Affiliate Agreement, ARPA Agreements, and Transfers should be avoided as
26 fraudulent under 11 U.S.C. § 548(a)(1)(A), and such transferred property, or the value thereof,
27 should be recovered and preserved for the benefit of the Estate pursuant to 11 U.S.C. §§ 550 and
28 551.

SECOND CLAIM FOR RELIEF

Avoidance, Recovery, and Preservation of Constructive Fraudulent Transfers

Against Defendant

[11 U.S.C. §§ 548(a)(1)(B), 550, and 551]

80. Plaintiff realleges and incorporates here by reference each and every allegation contained in paragraphs 1 through 79 as though set forth in full.

81. The Affiliate Agreement, ARPA Agreements, and all or a portion of the Transfers occurred within the two years prior to the Petition Date.

82. On or after the date that such agreements were executed and such Transfers were made, entities to which Debtor was or became indebted include the Prepetition Creditors.

83. The Transfers happened while Debtor:

- a. was insolvent or became insolvent was a result;
- b. was engaged or was about to engage in a transaction for which any property remaining with Debtor was of unreasonably small capital; or
- c. intended to incur, or believed that it would incur, debts beyond its ability to pay as such debts matured.

84. Because the referrals from Defendant to Debtor are illegal under federal and state law, they are void and subject to avoidance as fraudulent. Any purported consideration constitutes unlawful consideration, which cannot constitute reasonably equivalent value. Thus, at the time the agreements were executed and the Transfers made, Debtor received less than reasonably equivalent value.

85. The Debtor was operating a Ponzi scheme and the Ponzi Scheme Presumption can be utilized to infer the Debtor's actual intent to defraud within the meaning of 11 U.S.C. §548(a)(1). The Debtor's conduct was done with oppression, fraud, and malice, as defined in Civil Code §3294, based on the Ponzi Scheme Presumption, entitled the Trustee to, in addition to actual damages, exemplary or punitive damages.

86. Because the sale of the accounts receivable from Debtor to Defendant are illegal under federal and state law, they are void and subject to avoidance as fraudulent. Any purported

1 consideration constitutes unlawful consideration, which cannot constitute reasonably equivalent
2 value. Thus, at the time the agreements were executed and the Transfers made, Debtor received
3 less than reasonably equivalent value.

4 87. The Affiliate Agreement, ARPA Agreements, and the Transfers should be avoided
5 as fraudulent under 11 U.S.C. § 548(a)(1)(B), and such transferred property, or the value thereof,
6 should be recovered and preserved for the benefit of the Estate pursuant to 11 U.S.C. §§ 550 and
7 551.

THIRD CLAIM FOR RELIEF

Avoidance, Recovery, and Preservation of Actual Fraudulent Transfers

Against Defendant

[11 U.S.C. §§ 544(b), 550, and 551; CAL. CIV. CODE §§ 3439.04(a) and 3439.07]

12 88. Plaintiff realleges and incorporates here by reference each and every allegation
13 contained in paragraphs 1 through 87 as though set forth in full.

14 89. The Affiliate Agreement, ARPA Agreements, and all or a portion of the Transfers
15 occurred within the four years prior to the Petition Date.

16 90. On or after the date that such agreements were entered and such Transfers were
17 made, entities to which Debtor was or became indebted include the Prepetition Creditors.

18 91. Despite Debtor's obligation to the Prepetition Creditors, Debtor continued to pay
19 Defendant sums received from consumers under the Affiliate Agreement, which constitutes an
20 illegal capping agreement between Defendant and Debtor.

21 92. Because the referrals from Defendant to Debtor are illegal under federal and state
22 law, they are void and subject to avoidance as fraudulent. Any purported consideration constitutes
23 unlawful consideration, which cannot constitute reasonably equivalent value. Thus, at the time the
24 agreements were executed and the Transfers made, Debtor received less than reasonably equivalent
25 value.

26 93. Despite Debtor's obligation to the Prepetition Creditors, Debtor continued to sell
27 its accounts receivable to Defendant, which is illegal under federal and state law. Because they are
28 illegal under federal and state law, they are void and subject to avoidance as fraudulent.

1 94. Because the referrals from Defendant to Debtor are illegal under federal and state
2 law, they are void and subject to avoidance as fraudulent. Any purported consideration constitutes
3 unlawful consideration, which cannot constitute reasonably equivalent value. Thus, at the time the
4 agreements were executed and the Transfers made, Debtor received less than reasonably equivalent
5 value.

6 95. Despite Debtor's obligation to the Prepetition Creditors, Defendant continued to
7 sell accounts receivable to Debtor, which is illegal under federal and state law. Because they are
8 illegal under federal and state law, they are void and subject to avoidance as fraudulent.

9 96. The Transfers were made with actual intent to hinder, delay, or defraud creditors
10 of Debtor.

11 97. The Debtor was operating a Ponzi scheme and the Ponzi Scheme Presumption can
12 be utilized to infer the Debtor's actual intent to defraud within the meaning of 11 U.S.C. §
13 548(a)(1). The Debtor's conduct was done with oppression, fraud, and malice, as defined in Civil
14 Code § 3294, based on the Ponzi Scheme Presumption, entitling the Trustee to, in addition to actual
15 damages, exemplary or punitive damages.

16 98. The Affiliate Agreement, the ARPA Agreements, and the Transfers of Debtor's
17 funds are avoidable as fraudulent pursuant to 11 U.S.C. § 544(b) and CAL. CIV. CODE §§ 3439.04(a)
18 and 3439.07 by one or more creditors who held and hold unsecured claims against Debtor that were
19 and are allowable against his Estate under 11 U.S.C. § 502 or that were not and are not allowable
20 only under 11 U.S.C. § 502(e), including, without limitation, the Prepetition Creditors.

21 99. Accordingly, the Affiliate Agreement, the ARPA Agreements, and the Transfers
22 should be avoided as fraudulent under 11 U.S.C. §§ 544(b) and CAL. CIV. CODE §§ 3439.04(a) and
23 3439.07, and such transferred property, or the value thereof, should be recovered and preserved for
24 the benefit of the Estate pursuant to 11 U.S.C. §§ 550 and 551 and CAL. CIV. CODE § 3439.07.

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FOURTH CLAIM FOR RELIEF

Avoidance, Recovery, and Preservation of Constructive Fraudulent Transfers Against Defendant

[11 U.S.C. §§ 544(b), 550, and 551; CAL. CIV. CODE §§ 3439.05, and 3439.07]

100. Plaintiff realleges and incorporates here by reference each and every allegation contained in paragraphs 1 through 99 as though set forth in full.

101. The Affiliate Agreement, the ARPA Agreements, and all or a portion of the Transfers occurred within the four years prior to the Petition Date.

102. The Transfers happened while Debtor:

- a. was insolvent or became insolvent as a result;
- b. was engaged or was about to engage in a transaction for which any property remaining with Debtor was of unreasonably small capital; or
- c. intended to incur, or believed that it would incur, debts beyond its ability to pay as such debts matured.

103. Because the referrals from Defendant to Debtor are illegal under federal and state law, the agreements are void and subject to avoidance as fraudulent. Any purported consideration constitutes unlawful consideration, which cannot constitute reasonably equivalent value. Thus, at the time the agreements were executed and the Transfers made, Debtor received less than reasonably equivalent value.

104. The Debtor was operating a Ponzi scheme and the Ponzi Scheme Presumption can be utilized to infer the Debtor's actual intent to defraud within the meaning of 11 U.S.C. § 548(a)(1). The Debtor's conduct was done with oppression, fraud, and malice, as defined in Civil Code § 3294, based on the Ponzi Scheme Presumption, entitling the Trustee to, in addition to actual damages, exemplary or punitive damages.

105. Because the sale of the accounts receivable from Debtor to Defendant are illegal under federal and state law, they are void and subject to avoidance as fraudulent. Any purported consideration constitutes unlawful consideration, which cannot constitute reasonably equivalent value. Thus, at the time the agreements were executed and the Transfers made, Debtor received

less than reasonably equivalent value.

106. The Affiliate Agreement, the ARPA Agreements, and the Transfers of Debtor's funds are avoidable as fraudulent pursuant to 11 U.S.C. § 544(b) and CAL. CIV. CODE §§ 3439.05 and 3439.07 by one or more creditors who held and hold unsecured claims against Debtor that were and are allowable against his Estate under 11 U.S.C. § 502 or that were not and are not allowable only under 11 U.S.C. § 502(e), including, without limitation, the Prepetition Creditors.

7 107. Accordingly, the Affiliate Agreement, the ARPA Agreements, and the Transfers
8 should be avoided as fraudulent under 11 U.S.C. §§ 544(b) and CAL. CIV. CODE §§ 3439.05 and
9 3439.07, and such transferred property, or the value thereof, should be recovered and preserved for
10 the benefit of the Estate pursuant to 11 U.S.C. §§ 550 and 551 and CAL. CIV. CODE § 3439.07.

FIFTH CLAIM FOR RELIEF

12 Avoidance, Recovery, and Preservation of Preferential Transfer to Defendant in Preference 13 Period

[11 U.S.C. §§ 547, 550, and 551]

15 108. Plaintiff realleges and incorporates here by reference each and every allegation
16 contained in paragraphs 1 through 107 as though set forth in full.

17 109. The Preference Transfers were made for, or on account of, an antecedent debt or
18 debts owed by the LPG to Defendant, each of which constituted a “debt” or “claim” (as those terms
19 are defined in the Bankruptcy Code) of Defendant.

20 110. The Preference Transfers happened while LPG was insolvent.

21 111. Debtor is also entitled to the presumption of insolvency when the Preference
22 Transfers happened pursuant to 11 U.S.C. § 547(f).

23 112. As a result of the Preference Transfers, Defendant recovered more than it would
24 have received if: (i) the Debtor's case was under chapter 7 of the Bankruptcy Code; (ii) the
25 Preference Transfers had not been made; and (iii) Defendant received payments of its debts under
26 the provisions of the Bankruptcy Code. As evidenced by the Debtor's schedules filed in the
27 underlying Bankruptcy Case, as well as the proofs of claim that have been received to date, the
28 Debtor's liabilities exceed its assets to the point that unsecured creditors will not receive a full

1 payout of their claims from the Debtor's Estate.

2 113. In accordance with the foregoing, the Preference Transfers are voidable pursuant to
3 11 U.S.C. § 547(b), and may be recovered and preserved for the benefit of the estate pursuant to
4 11 U.S.C. §§ 550 and 551.

5 **SIXTH CLAIM FOR RELIEF**

6 **Turnover of Estate Property Against Defendant**

7 **[11 U.S.C. § 542]**

8 114. Plaintiff realleges and incorporates herein by reference each and every allegation
9 contained in paragraphs 1 through 123 as though set forth in full.

10 115. Defendant has possession or control over property of the Estate in the form of the
11 Transfers made pursuant to illegal and unenforceable agreements.

12 116. The Transfers are not of inconsequential value to the Estate.

13 117. The funds that are the subject of the Transfers are paramount to Debtor's ability to
14 pay creditors.

15 118. Accordingly, Trustee is entitled to a judgment for turnover of the Transfer pursuant
16 to 11 U.S.C. § 542.

17 **SEVENTH CLAIM FOR RELIEF**

18 **Disallowance of Claims Against Defendant**

19 **[11 U.S.C. § 502(d)]**

20 119. Plaintiff realleges and incorporates herein by reference each and every allegation
21 contained in paragraphs 1 through 128 as though set forth in full.

22 120. On July 20, 2023, Defendant filed a proof of claim as Claim No. 252 (the "Proof of
23 Claim") in the amount of \$ 230,039.80.

24 121. Based on Defendant's conduct as set forth in paragraphs 1 through 128 the Proof of
25 Claim and any other claims having been filed or to be filed by Defendant in the Bankruptcy case
26 should be disallowed pursuant to 11 U.S.C. § 502(d).

27 **RESERVATION OF RIGHTS**

28 122. Plaintiff reserves the right to bring all other claims or causes of action that Plaintiff

1 may have against Defendant, on any and all grounds, as allowed under the law or in equity,
2 including but not limited to, those claims not known by the Trustee at this time but that he may
3 discover during the pendency of this adversary proceeding.

4 **PRAYER FOR RELIEF**

5 **WHEREFORE**, Plaintiff prays for a judgment as follows:

6 **On The First, Second, Third, and Fourth Claims for Relief:**

7 1. Avoiding, recovering, and preserving the Transfers against Defendant;
8 2. Punitive and/or exemplary damages;

9 **On the Fifth Claim for Relief:**

10 3. Avoiding, recovering, and preserving the Preference Transfers against
11 Defendant;

12 **On the Sixth Claim for Relief:**

13 4. Ordering Defendant to immediately turn over the Transfers and/or Preference
14 Transfers;

15 **On the Seventh Claim for Relief:**

16 5. Order disallowing Defendant's Claim and all claims filed by Defendant as the funds
17 requested are based on fraudulent activities;

18 **On All Claims for Relief:**

19 6. Awarding costs of suit incurred here;
20 7. Awarding pre- and post-judgment interest; and
21 8. Granting any other and further relief as the Court deems just and proper.

22 Dated: March 18, 2025

Respectfully submitted,

23 DINSMORE & SHOHL LLP

24

25

By: /s/ Sarah S. Mattingly

Yosina M. Lissebeck

Sarah S. Mattingly (pro hac vice)

Kelli A. Lee (pro hac vice)

26
27 *Special Counsel to Richard A. Marshack,
Trustee of the LPG Liquidation Trust*

28

B1040 (FORM 1040) (12/15)

ADVERSARY PROCEEDING COVER SHEET (Instructions on Reverse)		ADVERSARY PROCEEDING NUMBER (Court Use Only)
PLAINTIFFS Richard A. Marshack, Trustee of the LPG Liquidation Trust		DEFENDANTS Debt Relief Group, LLC a Florida limited liability company, and William Burns
ATTORNEYS (Firm Name, Address, and Telephone No.) Christoper B. Ghio Yosina M. Lisseback Sarah S. Mattingly (Pro Hac Vice) Kelli A. Lee (Pro Hac Vice)		ATTORNEYS (If Known) Dinsmore & Shohi LLP 655 West Broadway, Suite San Diego, California 92101 619.400.0500
PARTY (Check One Box Only) <input type="checkbox"/> Debtor <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin <input type="checkbox"/> Creditor <input type="checkbox"/> Other <input checked="" type="checkbox"/> Trustee		PARTY (Check One Box Only) <input type="checkbox"/> Debtor <input type="checkbox"/> U.S. Trustee/Bankruptcy Admin <input type="checkbox"/> Creditor <input checked="" type="checkbox"/> Other <input type="checkbox"/> Trustee
CAUSE OF ACTION (WRITE A BRIEF STATEMENT OF CAUSE OF ACTION, INCLUDING ALL U.S. STATUTES INVOLVED) (1) Avoidance, Recovery, and Preservation of 2-Year Actual Fraudulent Transfers; (2) Avoidance, Recovery, and Preservation of 2-Year Constructive Fraudulent Transfers; (3) Avoidance, Recovery, and Preservation of 4-Year Actual Fraudulent Transfers; (4) Avoidance, Recovery, and Preservation of 4-Year Constructive Fraudulent Transfers; (5) Avoidance, Recovery, and Preservation of Preferential Transfer Made Within Ninety Days of the Petition Date; (6) Turnover; and (7) Aiding and Abetting		
NATURE OF SUIT		
(Number up to five (5) boxes starting with lead cause of action as 1, first alternative cause as 2, second alternative cause as 3, etc.)		
FRBP 7001(1) – Recovery of Money/Property <input checked="" type="checkbox"/> 11-Recovery of money/property - §542 turnover of property <input checked="" type="checkbox"/> 12-Recovery of money/property - §547 preference <input checked="" type="checkbox"/> 13-Recovery of money/property - §548 fraudulent transfer <input type="checkbox"/> 14-Recovery of money/property - other		
FRBP 7001(2) – Validity, Priority or Extent of Lien <input type="checkbox"/> 21-Validity, priority or extent of lien or other interest in property		
FRBP 7001(3) – Approval of Sale of Property <input type="checkbox"/> 31-Approval of sale of property of estate and of a co-owner - §363(h)		
FRBP 7001(4) – Objection/Revocation of Discharge <input type="checkbox"/> 41-Objection / revocation of discharge - §727(c),(d),(e)		
FRBP 7001(5) – Revocation of Confirmation <input type="checkbox"/> 51-Revocation of confirmation		
FRBP 7001(6) – Dischargeability <input type="checkbox"/> 66-Dischargeability - §523(a)(1),(14),(14A) priority tax claims <input type="checkbox"/> 62-Dischargeability - §523(a)(2), false pretenses, false representation, actual fraud <input type="checkbox"/> 67-Dischargeability - §523(a)(4), fraud as fiduciary, embezzlement, larceny (continued next column)		
FRBP 7001(6) – Dischargeability (continued) <input type="checkbox"/> 61-Dischargeability - §523(a)(5), domestic support <input type="checkbox"/> 68-Dischargeability - §523(a)(6), willful and malicious injury <input type="checkbox"/> 63-Dischargeability - §523(a)(8), student loan <input type="checkbox"/> 64-Dischargeability - §523(a)(15), divorce or separation obligation (other than domestic support) <input type="checkbox"/> 65-Dischargeability - other		
FRBP 7001(7) – Injunctive Relief <input type="checkbox"/> 71-Injunctive relief – imposition of stay <input type="checkbox"/> 72-Injunctive relief – other		
FRBP 7001(8) Subordination of Claim or Interest <input type="checkbox"/> 81-Subordination of claim or interest		
FRBP 7001(9) Declaratory Judgment <input type="checkbox"/> 91-Declaratory judgment		
FRBP 7001(10) Determination of Removed Action <input type="checkbox"/> 01-Determination of removed claim or cause		
Other <input type="checkbox"/> SS-SIPA Case – 15 U.S.C. §§78aaa <i>et.seq.</i> <input type="checkbox"/> 02-Other (e.g. other actions that would have been brought in state court if unrelated to bankruptcy case)		
<input type="checkbox"/> Check if this case involves a substantive issue of state law <input type="checkbox"/> Check if a jury trial is demanded in complaint		<input type="checkbox"/> Check if this is asserted to be a class action under FRCP 23 Demand \$ 1,380,186.71
Other Relief Sought		

B1040 (FORM 1040) (12/15)

BANKRUPTCY CASE IN WHICH THIS ADVERSARY PROCEEDING ARISES		
NAME OF DEBTOR The Litigation Practice Group P.C.	BANKRUPTCY CASE NO. 8:23-bk-10571-SC	
DISTRICT IN WHICH CASE IS PENDING Central District of California	DIVISION OFFICE Santa Ana	NAME OF JUDGE Hon. Scott C. Clarkson
RELATED ADVERSARY PROCEEDING (IF ANY)		
PLAINTIFF	DEFENDANT	ADVERSARY PROCEEDING NO.
DISTRICT IN WHICH ADVERSARY IS PENDING	DIVISION OFFICE	NAME OF JUDGE
SIGNATURE OF ATTORNEY (OR PLAINTIFF)		
<p>/s/ Sarah S. Mattingly</p> 		
DATE March 18, 2025	PRINT NAME OF ATTORNEY (OR PLAINTIFF) Yosina M. Lissebeck Sarah S. Mattingly (admitted pro hac vice) Special Counsel to Richard A. Marshack, Trustee of the LPG Liquidation Trust	

INSTRUCTIONS

The filing of a bankruptcy case creates an “estate” under the jurisdiction of the bankruptcy court which consists of all of the property of the debtor, wherever that property is located. Because the bankruptcy estate is so extensive and the jurisdiction of the court so broad, there may be lawsuits over the property or property rights of the estate. There also may be lawsuits concerning the debtor’s discharge. If such a lawsuit is filed in a bankruptcy court, it is called an adversary proceeding.

A party filing an adversary proceeding must also must complete and file Form 1040, the Adversary Proceeding Cover Sheet, unless the party files the adversary proceeding electronically through the court’s Case Management/Electronic Case Filing system (CM/ECF). (CM/ECF captures the information on Form 1040 as part of the filing process.) When completed, the cover sheet summarizes basic information on the adversary proceeding. The clerk of court needs the information to process the adversary proceeding and prepare required statistical reports on court activity.

The cover sheet and the information contained on it do not replace or supplement the filing and service of pleadings or other papers as required by law, the Bankruptcy Rules, or the local rules of court. The cover sheet, which is largely self-explanatory, must be completed by the plaintiff’s attorney (or by the plaintiff if the plaintiff is not represented by an attorney). A separate cover sheet must be submitted to the clerk for each complaint filed.

Plaintiffs and Defendants. Give the names of the plaintiffs and defendants exactly as they appear on the complaint.

Attorneys. Give the names and addresses of the attorneys, if known.

Party. Check the most appropriate box in the first column for the plaintiffs and the second column for the defendants.

Demand. Enter the dollar amount being demanded in the complaint.

Signature. This cover sheet must be signed by the attorney of record in the box on the second page of the form. If the plaintiff is represented by a law firm, a member of the firm must sign. If the plaintiff is pro se, that is, not represented by an attorney, the plaintiff must sign.